GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA

UNSTARRED QUESTION NO:3196
ANSWERED ON:15.04.2008
. INVESTIGATION OF FOREIGN DIRECT INVESTMENT FLOW
Mehta Shri Bhubneshwar Prasad

Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) whether Foreign Direct Investment in some companies is pasing security threat for the country;

(b) if so, the details thereof;

(c) whether the flow of Foreign Direct Investment is being investigated after a suggestion given by the National Security Council to look into the matter as reported in The Economic Times dated December 20, 2007;

(d) if so, the details of agencies by investigating the matter; and

(e) the remedial steps taken / proposed to be taken in this regard?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE & INDUSTRY(SHRI ASHWANI KUMAR)

(a) & (b): Policy on Foreign Direct Investment (FDI) is incorporated in the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations,2000, notified under the Foreign Exchange Management Act (FEMA), 1999. As per Section 5(1) of FEMA Regulations, 2000 a person resident outside India or an entity incorporated outside India, other than a citizen or an entity in Pakistan, may purchase shares or convertible debentures of an Indian company under FDI Scheme. Section 13 of the Act provides for imposition of penalty, after adjudication, for contravention of the provisions of the Act or Rules/Regulations.

(c) to (e): As per the extant policy, FDI up to 100% is permitted in most sectors/activities under the automatic route. Proposals requiring prior Government approval are considered by the Foreign Investment Promotion Board (FIPB), an inter-Ministerial body, which takes into account all factors, including security related issues. Review of FDI policy is an on-going process. All concerns of National security are being constantly addressed to by the Government suitably.